

**REPORT OF THE AUDIT OF THE
SHELBY COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2002**



EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE SHELBY COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2002**

The Auditor of Public Accounts has completed the Shelby County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$175,312 from the beginning of the year, resulting in a cash surplus of \$10,755,824 as of June 30, 2002.

Debt Obligations:

Total bonded debt principal as of June 30, 2002, was \$4,935,000. Future collections of \$7,306,853 are needed over the next 19 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$897,000 as of June 30, 2002. Future principal and interest payments of \$1,161,919 are needed to meet these obligations. Reserve funds of \$213,360 reduce this amount to \$948,559 of future collections needed to retire these agreements.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Bobby Stratton, Shelby County Judge/Executive
Members of the Shelby County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Shelby County, Kentucky, as of June 30, 2002, and the related statement of cash receipts, cash disbursements, and changes in cash balances, and cash flows for the year then ended. These financial statements are the responsibility of the Shelby County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Shelby County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2002 of Shelby County, Kentucky, and the revenues received and expenditures paid and the cash flows of its proprietary fund for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
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In accordance with Government Auditing Standards, we have also issued our report dated May 27, 2003 on our consideration of Shelby County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Shelby County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 27, 2003

SHELBY COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Bobby Stratton	County Judge/Executive
Robert Samples	Magistrate
Tony Carriss	Magistrate
Harry (Hobie) Henninger	Magistrate
Betty Curtsinger	Magistrate
Cordy Armstrong	Magistrate
Mike Whitehouse	Magistrate
Bob Walters	Magistrate

Other Elected Officials:

Chuck Hickman	County Attorney
Bobby Waits	Jailer
Sue Carole Perry	County Clerk
Kathy Nichols	Circuit Court Clerk
Harold Tingle	Sheriff
Brad McDowell	Property Valuation Administrator
Tommy Sampson	Coroner

Appointed Personnel:

Paula Webb	County Treasurer
James Ray Wiley	Occupational Tax Collector
Mary Bradshaw	Finance Officer

STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

SHELBY COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>	
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 10,527,427	\$ 213,360	\$ 47,355	\$ 10,788,142
Total Assets	\$ 10,527,427	\$ 213,360	\$ 47,355	\$ 10,788,142
<u>Other Resources</u>				
Amounts to Be Provided In Future Years for:				
Capital Lease	\$ 575,000	\$ 322,000	\$	\$ 897,000
Bond Payments	4,935,000			4,935,000
Total Other Resources	\$ 5,510,000	\$ 322,000	\$ 0	\$ 5,832,000
Total Assets and Other Resources	\$ 16,037,427	\$ 535,360	\$ 47,355	\$ 16,620,142

The accompanying notes are an integral part of the financial statement.

SHELBY COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2002
(Continued)

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Lease	\$ 575,000	\$ 322,000	\$	\$ 897,000
Bonds:				
Series 1999	4,935,000			4,935,000
Payroll Revolving Account	21,161			21,161
Operating Account	10,036			10,036
City Tax Account	1,121			1,121
Total Liabilities	<u>\$ 5,542,318</u>	<u>\$ 322,000</u>	<u>\$ 0</u>	<u>\$ 5,864,318</u>
<u>Equity</u>				
Retained Earnings:				
Restricted	\$	\$	\$ 47,355	\$ 47,355
Fund Balances:				
Reserved	229,639	213,360		442,999
Unreserved	10,265,470			10,265,470
Total Equity	<u>\$ 10,495,109</u>	<u>\$ 213,360</u>	<u>\$ 47,355</u>	<u>\$ 10,755,824</u>
Total Liabilities and Equity	<u>\$ 16,037,427</u>	<u>\$ 535,360</u>	<u>\$ 47,355</u>	<u>\$ 16,620,142</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

SHELBY COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 10,709,204	\$ 7,027,022	\$ 1,846,110	\$ 803,986
Receipts - Jail Canteen	121,692			
Other Financing Sources:				
Transfers In	1,937,694	424,323		658,000
Kentucky Advance Revenue Program	1,614,800	1,614,800		
Total Cash Receipts	<u>\$ 14,383,390</u>	<u>\$ 9,066,145</u>	<u>\$ 1,846,110</u>	<u>\$ 1,461,986</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 10,931,158	\$ 6,051,518	\$ 1,653,116	\$ 1,443,359
Expenditures - Jail Canteen	137,640			
Other Financing Uses:				
Transfers Out	1,937,694	1,383,000		
Kentucky Advance Revenue Program Repaid	1,614,800	1,614,800		
Total Cash Disbursements	<u>\$ 14,621,292</u>	<u>\$ 9,049,318</u>	<u>\$ 1,653,116</u>	<u>\$ 1,443,359</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (237,902)	\$ 16,827	\$ 192,994	\$ 18,627
Cash Balance - July 1, 2001	<u>10,993,726</u>	<u>8,170,926</u>	<u>1,772,737</u>	<u>32,449</u>
Cash Balance - June 30, 2002	<u>\$ 10,755,824</u>	<u>\$ 8,187,753</u>	<u>\$ 1,965,731</u>	<u>\$ 51,076</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statement.

SHELBY COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2002
(Continued)

General Fund Type			
Local Government Economic Assistance Fund	Emergency Medical Services	Revolving Fund	Community Development Block Grant Fund
\$ 31,676	\$ 844,701	\$ 13,167	\$ 64,970
	725,000	130,371	
\$ 31,676	\$ 1,569,701	\$ 143,538	\$ 64,970
\$	\$ 1,650,161	\$	\$ 63,753
			130,371
\$ 0	\$ 1,650,161	\$ 0	\$ 194,124
\$ 31,676	\$ (80,460)	\$ 143,538	\$ (129,154)
13,983	95,711	86,100	129,155
\$ 45,659	\$ 15,251	\$ 229,638	\$ 1

The accompanying notes are an integral part of the financial statements.

SHELBY COUNTY
 STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

	<u>Debt Service Fund Type</u>	<u>Enterprise Fund</u>
<u>Cash Receipts</u>	<u>Special Fund</u>	<u>Jail Canteen Fund</u>
Schedule of Operating Revenue	\$ 77,572	\$
Receipts - Jail Canteen		121,692
Other Financing Sources:		
Transfers In		
Kentucky Advance Revenue Program		
Total Cash Receipts	<u>\$ 77,572</u>	<u>\$ 121,692</u>
<u>Cash Disbursements</u>		
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 69,251	\$
Expenditures - Jail Canteen		137,640
Other Financing Uses:		
Transfers Out	424,323	
Kentucky Advance Revenue Program Repaid		
Total Cash Disbursements	<u>\$ 493,574</u>	<u>\$ 137,640</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (416,002)	\$ (15,948)
Cash Balance - July 1, 2001	<u>629,362</u>	<u>63,303</u>
Cash Balance - June 30, 2002	<u><u>\$ 213,360</u></u>	<u><u>\$ 47,355</u></u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES

SHELBY COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund</u> <u>Jail Canteen</u>
Cash Flows From Operating Activities:	
Cash Received From Inmates	\$ 120,978
Interest Received on Bank Accounts	714
Payments to Suppliers	(105,908)
Payments to Employees	(4,484)
Payments to County Treasurer	(5,141)
Payments for Inmate Benefit or Recreation	(10,050)
Payments to Released Inmates	<u>(12,057)</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ (15,948)</u></u>

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Shelby County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity

Additional - Shelby County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Shelby County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Shelby County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Shelby County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), Emergency Medical Services Fund, Revolving Fund, and the Community Development Block Grant Fund.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Special Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year and by receipts of the Special Fund.

3) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Shelby County Enterprise Fund Type includes the jail canteen account, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Shelby County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit. For the purpose of the statement of cash flows, management considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Shelby County Fiscal Court: US 60 Water District and West Shelby Water District.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Notes Receivable, Capital Leases, and Liability

Special Fund - Notes Receivable and Liability

1) US 60 Water District (Woodlawn)

On November 1, 1993, Shelby County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$237,000. The purpose of the lease was for a waterline extension. The project was subleased to the US 60 Water District. During the fiscal year, the county received \$11,000 principal and \$7,455 interest from the US 60 Water District. The county then paid this money to Bank One (the trustee). The balance of the receivable and the liability on June 30, 2002, was \$160,000.

2) US 60 Water District (Rockbridge)

On August 7, 1996, Shelby County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$80,000. The purpose of the lease was for construction of rural water lines. The project was subleased to the US 60 Water District. During the fiscal year, the county received \$3,000 principal and \$3,726 interest from the US 60 Water District. The county then paid this money to Bank One (the trustee). The balance of the receivable and the liability on June 30, 2002, was \$66,000.

3) Mt. Eden Fire District

On September 11, 2000, Shelby County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$98,000. The purpose of the lease was for the construction of a firehouse. The project was subleased to the Mt. Eden Fire District. During the fiscal year, the county received \$2,000 principal and \$4,114 in interest from Mt. Eden Fire District. The county then paid this money to National City (the trustee). The balance of the receivable and the liability on June 30, 2002, was \$96,000.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 4. Notes Receivables, Capital Leases, and Liability (Continued)

The following is a schedule of future minimum lease payments as of June 30, 2002

<u>Fiscal Year Ended June 30,</u>	<u>US 60 Water District (Woodlawn)</u>	<u>US 60 Water District (Rockbridge)</u>	<u>Mt. Eden Fire District</u>	<u>Total</u>
2003	\$ 18,981	\$ 6,567	\$ 7,807	\$ 33,355
2004	18,440	6,402	7,684	32,526
2005	18,881	7,213	7,561	33,655
2006	18,296	6,993	7,437	32,726
2007	18,692	6,773	8,257	33,722
2008 - 2012	91,444	33,324	38,512	163,280
2013 - 2017	18,473	27,952	37,290	83,715
2018 - 2022			37,173	37,173
2023 - 2025			27,535	27,535
Total Minimum Lease	\$ 203,207	\$ 95,224	\$ 179,256	\$ 477,687
Payment Less Interest	<u>(43,207)</u>	<u>(29,224)</u>	<u>(83,256)</u>	<u>(155,687)</u>
Present Value of Minimum Lease Payments	<u>\$ 160,000</u>	<u>\$ 66,000</u>	<u>\$ 96,000</u>	<u>\$ 322,000</u>

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 5. Capital Lease - Purchase Agreement - Special Fund

On June 21, 2001, the County entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for \$625,000. The purpose of the lease was for the construction of sewer lines. The term for this agreement was 10 years with the balance to be paid in full by July 20, 2011. The balance of the liability on June 30, 2002, was \$575,000

The following is a schedule of future minimum lease payments as of June 30, 2002:

Year	Meadow Brook Sewer Project
2003	\$ 76,650
2004	74,493
2005	77,255
2006	74,902
2007	77,467
2008 - 2011	<u>303,465</u>
Total Minimum Lease Payment Less Interest	\$ 684,232 <u>(109,232)</u>
Present Value of Minimum Lease Payments	<u>\$ 575,000</u>

Note 6. General Obligation Bonds - Clear Creek Fund

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Shelby County Fiscal Court (County) issued general obligation bonds of 5,200,000 series 1999, dated April 1, 1999, to fund the acquisition and construction of the Clear Creek Family Activities Center. These bonds were issued at varying interest rates ranging from 3.40% to 4.85%, and will be retired by August 1, 2020. Interest payments are due on February 1 and interest and principal August 1. Fiscal Court has entered into a lease agreement with the City of Shelbyville (City) and the Shelbyville/Shelby County Parks and Recreation Commission (Parks Commission) for their portion of the bond issue. The City is responsible for \$500,000 in principal payments; the Parks Commission \$2,200,000 in principal payments; and the County \$2,500,000 in principal. The City and the Parks Commission make their payments to the County, which in turn pays the paying agent. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2003	\$ 140,000	\$ 217,390
2004	195,000	211,095
2005	200,000	203,490
2006	210,000	195,390
2007	215,000	186,836
2008 - 2012	1,245,000	785,028
2013 - 2017	1,565,000	474,290
2018 - 2022	<u>1,165,000</u>	<u>98,334</u>
Totals	<u>\$ 4,935,000</u>	<u>\$ 2,371,853</u>

Note 7. Insurance

For the fiscal year ended June 30, 2002, Shelby County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

SHELBY COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 4,854,184	\$ 7,027,022	\$ 2,172,838
Road and Bridge Fund	1,239,712	1,846,110	606,398
Jail Fund	633,317	803,986	170,669
Local Government Economic Assistance Fund	30,256	31,676	1,420
Emergency Medical Services	728,109	844,701	116,592
Revolving Fund	13,986	13,167	(819)
Community Development Block Grant Fund	55,010	64,970	9,960
<u>Debt Service Fund Type</u>			
Special Fund	<u>74,725</u>	<u>77,572</u>	<u>2,847</u>
Totals	<u>\$ 7,629,299</u>	<u>\$ 10,709,204</u>	<u>\$ 3,079,905</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 7,629,299
Add: Budgeted Prior Year Surplus			<u>4,876,259</u>
Total Operating Budget Per Comparative Schedule of Final Budget and Budgeted Expenditures			<u>\$ 12,505,558</u>

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SCHEDULE OF OPERATING REVENUE

SHELBY COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

GOVERNMENTAL FUND TYPES

<u>Revenue Categories</u>	<u>Totals (Memorandum Only)</u>	<u>General Fund Type</u>	<u>Debt Service Fund Type</u>
Taxes	\$ 5,145,247	\$ 5,145,247	\$
Excess Fees	463,450	463,450	
Licenses and Permits	81,176	81,176	
Intergovernmental Revenues	2,280,967	2,280,967	
Charges for Services	845,010	845,010	
Miscellaneous Revenues	1,595,968	1,527,086	68,882
Interest Earned	297,386	288,696	8,690
Total Operating Revenue	<u>\$ 10,709,204</u>	<u>\$ 10,631,632</u>	<u>\$ 77,572</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

SHELBY COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,332,360	\$ 2,189,490	\$ 142,870
Protection to Persons and Property	2,893,664	2,723,204	170,460
General Health and Sanitation	1,057,398	686,206	371,192
Social Services	369,983	360,631	9,352
Recreation and Culture	472,819	432,953	39,866
Roads	1,670,299	1,483,306	186,993
Debt Service	850,309	849,920	389
Capital Projects	73,300		73,300
Administration	2,710,701	2,136,197	574,504
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 12,430,833</u>	<u>\$ 10,861,907</u>	<u>\$ 1,568,926</u>

Expenditure Categories	DEBT SERVICE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Debt Service	<u>\$ 74,725</u>	<u>\$ 69,251</u>	<u>\$ 5,474</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Bobby Stratton, Shelby County Judge/Executive

Members of the Shelby County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Shelby County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated May 27, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Shelby County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shelby County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 27, 2003

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS

SHELBY COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2002

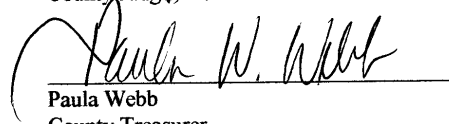
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS
SHELBY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2002

The Shelby County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Bobby Stratton
County Judge/Executive



Paula Webb
County Treasurer

